



January 31, 2020

Patrick Rooney  
 Director of Health Systems Finances  
 Green Mountain Care Board  
 144 State Street  
 Montpelier, VT 05602

Dear Patrick:

The Fiscal Year 2019 Hospital Budget Submission of Actuals for Northeastern Vermont Regional Hospital (NVRH) have been completed and filed electronically using the worksheets provided by the Green Mountain Care Board. We have also electronically filed a copy of the following documents:

- NVRH’s Fiscal Year 2019 Audited Financial Statements
- Verification Under Oath Statements for the CEO, CFO and Board Chair
- “Bridges” Tables for Revenues and Expenses

A summary of budget to actual fiscal 2019 variances, along with factors contributing to those variances, follows.

**NET PATIENT REVENUE**

Northeastern Vermont Regional Hospital  
 FY 2019 Approved Budget to FY 2019 Actual Results

<b>Net Patient Revenue</b>	<b>Total</b>	<b>% over/under</b>
FY 2019 Approved Budget	\$ 81,568,705	
Utilization	1,486,800	1.0%
Reimbursement/Payer Mix		0.3%
Bad Debt/Free Care	(146,947)	0.5%
Increase Acuity (Case Mix)	765,000	0.0%
Increase Out of State Revenue	605,000	0.0%
Reduction of Leakage to Other States	400,000	0.0%
Changes in DSH	6,185 -	0.0%
Other (please label)		0.0%
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FY 2019 Actual Results	\$ 84,684,743	1.8%

Utilization increases contributed 1% of the Net Patient Revenue (NPR) budget to actual variance during fiscal 2019. The most significant volume increases occurred in acute patient days (25%) and Emergency Department visits (6%). An aging population, providing timely access to essential services, and the ever-increasing confidence in NVRH providers and services are factors contributing to these volume increases. While we appreciate the community's confidence in our Emergency Department, NVRH is actively taking steps to identify and reduce avoidable ED visits.

Uncompensated care (bad debts and free care) was slightly lower than budget. There were no identifiable reasons for this minor variance. Acuity, as measured by an aggregate case mix index, increased by 6.5% from budget 2019 to actual 2019 results. This change added \$765,000 to budgeted NPR as compared to actual 2019. During fiscal 2019 NVRH saw an increase in out of state patients receiving care at the hospital. This trend was not factored into the fiscal 2019 budget and increased actual NPR by \$605,000. NVRH also experienced less leakage to out of state hospitals. The estimated NPR impact of this leakage reduction was \$400,000.

**OTHER OPERATING REVENUE:**

Actual Other Operating Revenue was \$975,700 higher than budget. Most of this increase was for Reference Laboratory Revenue. FY 2019 was the first year NVRH recorded reference laboratory revenue as other operating revenue. During our initial projections two sub-laboratory categories were excluded in error. This error was corrected during the fiscal year.

**OPERATING EXPENSES:**

Northeastern Vermont Regional Hospital  
FY 2019 Approved Budget to FY 2019 Actual Results

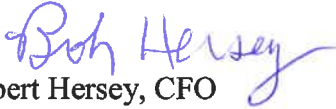
<b>Operating Expenses</b>	<b>Amount</b>	<b>% over/under</b>
FY 2019 Approved Budget	\$ 83,702,505	
Salaries	(960,684)	(1.1%)
Fringe Benefits	(42,508)	(0.1%)
Physician Salaries/ Contracts	(433,397)	(0.5%)
Contract Staffing	3,423,000	4.1%
Supplies and other Non Salary Expenses	323,000	0.4%
Drugs	250,000	0.3%
Cost Savings	(250,000)	(0.3%)
Health Reform Programs	85,000	0.1%
IT Related	224,000	0.3%
Depreciation	(142,303)	(0.2%)
Interest	(102,284)	(0.1%)
Health Care Provider Tax	83,787	-
Utilization/Acuity Increase	1,029,748	1.2%
FY 2019 Actual Results	\$ 87,189,684	4.2%

Workforce challenges played a significant role in the level of expense increases above budget. Vacant physician/advanced practice provider, nursing, and allied health positions required the use of travelers and locum tenens providers. The cost of these contract services is 50-60% higher than the cost of employing staff for the same positions. Volume, and the higher acuity of patients, was another reason for higher expenses during fiscal 2019. Cost savings through the 340B program completely offset the increased drug costs.

**Update on Health Reform Activities**

On January 1, 2019 NVRH began participation in the OneCare Vermont Medicaid Risk model. The annual fees were \$78,000 higher than the budgeted estimate.

Respectfully,



Robert Hersey, CFO

CC: Terri Schoolcraft, Controller